

Executive Summary

of Investment Performance

**Prepared for
California Public Employees'
Retirement System**

Third Quarter 2005

Capital Market Overview

- ◆ The third quarter of 2005 saw improved conditions for the US economy as higher corporate earnings, improved news on job creation, and moderate wage growth helped the US equity markets finish in positive territory. However, the economy still experienced periods of setbacks as oil prices continued to rise, the Federal Reserve increased the discount rate to 3.75%, New Orleans and the Gulf Region were devastated by Hurricanes Katrina and Rita, and Delta and Northwest Airlines filed for Chapter 11 bankruptcy protection. The US Equity markets finished the quarter in positive territory as the Dow Jones Wilshire 5000 Index and the S&P 500 returned 4.0%, and 3.6%, respectively. Within the Dow Jones 5000 GICS sectors, the Energy Sector helped by record-setting oil prices was the top performing sector with a return of 20.1% while the Consumer Durable Sectors was the worst-performing at -1.7% as energy and raw materials prices increased and sales were softer than anticipated. Growth-oriented stocks outperformed versus value-oriented stocks across the markets (Wilshire Large Growth 5.4%; Wilshire Large Value 3.4%; Wilshire Small Growth 5.9%, Wilshire Small Value 4.5%). From a size viewpoint, micro-cap stocks produced the highest returns followed by small-cap stocks and then large-cap stocks.
- ◆ Non-US equity markets produced higher returns than the US equity markets as the MSCI ACWI ex-US returned 11.8% and 12.3% in USD and local currencies, respectively. The Pacific region was helped by strong performance from energy-producing countries, and the continuing economic recovery of Japan as the Pacific-Basin index outperformed versus its European counterpart (MSCI Pacific 16.5% in USD; MSCI Pacific 18.4% in local currency; MSCI Europe 7.7% in USD; MSCI Europe 8.5% in local currency). The majority of the emerging market indices are oil producing countries. Helped by increasing oil prices the MSCI EMF Index returned 18.1% in USD and 17.7% in local currency. The MSCI EAFE Index returned 10.4% in USD and 11.4% in local currency.
- ◆ For the sixth consecutive quarter, the Federal Reserve continued its policy of raising the discount rate to keep inflation in check, and yields increased throughout all maturity ranges of the US Treasury yield curve. The Lehman Aggregate Bond Index fell during the quarter, returning -0.7%. Among the Lehman sectors, the Mortgage sector outperformed the Credit sector, returning -0.2% and -1.0%, respectively for the quarter. Shorter-term treasuries outpaced longer-term issues (Citigroup Global Markets Long Treasury, -2.7%; CGM 1-3 Year Treasury, 0.1%). High yield bonds had higher returns than investment grade issues as high yield bonds tend to be less sensitive to rate hikes than investment grade bonds, with the Citigroup High Yield Cash Pay Index reporting a 0.8% return. The international bond markets underperformed versus the U.S. bond market as the Citigroup Non-US Government Bond Index generated a return of -1.1% during the quarter.
- ◆ The public real estate securities market, as represented by the Dow Jones Wilshire Real Estate Securities Index ("DJWRESTI"), continued its upward track and posted a return of 3.6% for the quarter. The real estate securities asset class has been the best performing asset class with a one-year return of 28.9%. The NCREIF Property Index reported a return of 5.3% for the quarter, reflecting the fact that the index is measured on an appraised basis.



Summary of Index Returns

For Periods Ended September 30, 2005

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Domestic Equity					
Standard & Poor's 500	3.61%	12.23%	16.71%	-1.50%	9.48%
Dow Jones Wilshire 5000	4.03	14.67	18.44	-0.53	9.43
Dow Jones Wilshire 4500	5.21	21.72	24.37	1.90	9.79
Wilshire Large Cap 750	3.75	12.75	16.91	-1.84	9.27
Wilshire Small Cap 1750	5.19	20.14	25.58	6.18	10.62
Wilshire Micro Cap 2500	8.72	19.91	36.94	17.11	16.18
Domestic Equity					
Wilshire Large Value	3.43%	15.78%	20.55%	4.11%	10.19%
Wilshire Large Growth	4.03	9.35	13.20	-8.76	7.07
Wilshire Mid Value	4.42	23.86	29.49	15.87	14.79
Wilshire Mid Growth	5.44	24.02	22.77	-1.59	9.17
Wilshire Small Value	4.54	20.74	28.64	15.56	13.48
Wilshire Small Growth	5.86	19.46	22.61	-4.86	5.58
International Equity					
MSCI All World ex U.S.	11.83%	29.47%	27.18%	4.81%	6.61%
MSCI EAFE	10.37	25.79	24.61	3.16	5.83
MSCI Europe	7.74	24.41	25.84	3.68	9.53
MSCI Pacific	16.45	28.69	21.66	1.93	0.74
MSCI EMF Index	18.11	47.17	39.56	14.46	6.10
Domestic Fixed Income					
Lehman Aggregate Bond	-0.68%	2.80%	3.96%	6.62%	6.55%
Lehman Credit	-1.00	2.75	5.83	7.72	6.92
Lehman Mortgage	-0.15	3.29	3.71	6.11	6.46
Lehman Treasury	-1.12	2.46	2.76	6.24	6.33
Citigroup High Yield Cash Pay	0.83	6.33	16.36	8.17	7.23
91-Day Treasury Bill	0.83	2.62	1.68	2.49	3.91
International Fixed Income					
Citigroup World Gov. Bond	-1.12%	3.03%	8.05%	8.25%	5.51%
Citigroup Non-U.S. Gov. Bond	-1.14	3.13	9.53	8.68	4.91
Citigroup Hedged Non-U.S. Gov.	0.33	7.03	4.47	5.71	7.52
Currency*					
Euro vs. \$	-0.41%	-2.93%	6.85%	6.44%	-.%
Yen vs. \$	-2.23	-2.76	2.41	-0.95	-1.38
Pound vs. \$	-1.30	-2.24	4.00	3.65	1.12
Real Estate					
Dow Jones Wilshire REIT Index	3.94%	28.77%	26.48%	19.64%	15.53%
Dow Jones Wilshire RESI	3.61	28.68	27.37	19.35	15.18
NCREIF Property Index	5.34	20.21	13.37	11.14	11.72

*Positive values indicate dollar depreciation.



Total Fund Review Periods Ended 9/30/05

	Market Value \$195.5 bil.	<u>Qtr</u> 4.7%	<u>1 Year</u> 16.7%	<u>3 Year</u> 16.3%	<u>5 Year</u> 4.3%	<u>10 Year</u> 9.3%
TOTAL FUND						
<i>Total Fund Policy Index</i> ¹		4.1%	14.7%	15.2%	3.7%	8.6%
<i>Actuarial Rate</i>		1.9%	7.8%	7.9%	8.0%	8.2%
<i>TUCS Public Fund Median</i>		3.9%	13.6%	14.0%	4.5%	8.7%
<i>Wilshire Large Fund Universe Median</i> ²		4.7%	16.0%	15.2%	4.6%	9.8%
TOTAL EQUITY ³	135.2	6.3%	19.5%	19.6%	0.9%	9.3%
<i>Equity Policy Index</i> ⁴		6.2%	18.7%	19.4%	0.3%	8.5%
<i>TUCS Equity Median</i> ⁵		4.2%	16.6%	19.2%	2.2%	10.7%
TOTAL FIXED INCOME ⁶	50.1	-1.0%	5.0%	8.2%	8.6%	7.5%
<i>Fixed Income Policy Index</i> ⁷		-1.3%	4.6%	6.0%	8.2%	7.1%
<i>TUCS Fixed Income Median</i>		-0.3%	3.5%	4.8%	7.1%	6.9%
TOTAL REAL ESTATE ⁸	9.4	12.9%	43.3%	20.5%	16.3%	14.1%
<i>NCREIF Property Index Lagged</i>		5.3%	18.0%	12.1%	10.6%	11.4%
<i>TUCS Real Estate Median</i>		3.6%	19.7%	14.1%	10.9%	12.2%
CASH EQUIVALENTS	0.8	0.9%	2.8%	1.8%	2.8%	4.3%
<i>Custom STIF</i> ⁹		0.9%	2.6%	1.6%	2.4%	4.0%

¹The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

²These returns represent preliminary numbers.

³Includes domestic equity, international equity, alternative investments, corporate governance, and ventures.

⁴The Equity Policy Index return equals the benchmark returns for the domestic equity, international equity, and alternative investment segments weighted at policy allocation target percentages.

⁵Includes domestic and international equity.

⁶The Total Fixed Income Composite does not include LM Capital. LM Capital will be mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

⁷The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁸Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁹The Custom STIF Policy Index is a custom index maintained by SSgA.



Total Fund Review (continued)

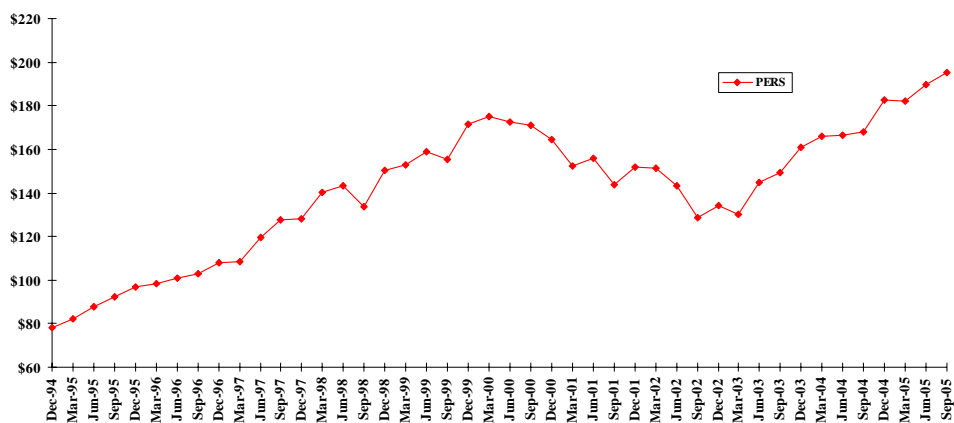
Periods Ended 9/30/05

Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
3Q2005	189,862	-114	-56	5,815	195,508	4.7%

Historical Growth of Assets

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>3Q05</u>
Market Value (\$bil)	96.8	108.1	128.3	150.5	171.7	164.6	151.8	134.1	161.1	182.9	195.5



Asset Allocation

Asset Allocation: Actual versus Target Weights

<u>Asset Class</u>	<u>Actual Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Difference</u>
Equities	69.1%	66.0%	+3.1%
Fixed Income	25.7	26.0	-0.3
Real Estate	4.8	8.0	-3.2
Cash Equivalents	0.4	0.0	+0.4

CalPERS Historical Asset Allocation

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>3Q05</u>
% Equity	57	62	66	69	70	64	63	62	68	68	69
% Fixed Income	36	31	28	26	24	29	27	28	24	24	26
% Real Estate	6	6	5	4	5	6	9	9	7	6	5
% Cash Equiv.	1	1	1	1	1	1	1	1	1	1	1



California Public Employees' Retirement System
Total Fund Attribution
Total Composite
Quarter Ended 09/30/05

Composite	Allocation			Returns			Total Fund Return Contribution			
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Actual Allocation (%)	Active Mgmt (%)	Strategic Policy (%)	Weighted Return (%)
Total Equity	66.0	66.9	0.9	6.2	6.3	0.1	0.0	0.1	4.1	4.2
U.S. Equity	40.0	38.4	-1.6	3.8	3.9	0.1	0.0	0.0	1.5	1.5
Internal Managers^	32.3	32.3	0.0	3.8	3.9	0.1	0.0	0.0	1.2	1.3
U.S. Mainstream Managers^	2.7	2.7	0.0	4.3	3.5	-0.8	0.0	0.0	0.1	0.1
U.S. Enhanced Index^	2.3	2.3	0.0	3.8	3.5	-0.3	0.0	0.0	0.1	0.1
U.S. Mgr. Development^	1.0	1.0	0.0	4.4	4.5	0.0	0.0	0.0	0.0	0.0
RM ARS Program	0.5	0.6	0.1	1.7	4.9	3.2	0.0	0.0	0.0	0.0
Corporate Governance	1.4	1.5	0.1	9.3	5.9	-3.4	0.0	-0.1	0.1	0.1
U.S. Corp. Governance^	0.7	0.7	0.0	3.7	3.4	-0.3	0.0	0.0	0.0	0.0
Int'l Corp. Governance^	0.9	0.9	0.0	14.0	7.8	-6.2	0.0	-0.1	0.1	0.1
Non-U.S. Equity	20.0	21.3	1.3	11.4	11.7	0.3	0.1	0.1	2.3	2.5
Int'l Mainstream Managers^	2.8	2.8	0.0	11.4	12.0	0.6	0.0	0.0	0.3	0.3
Int'l Mgr. Development^	0.4	0.4	0.0	10.6	7.1	-3.6	0.0	0.0	0.0	0.0
Int'l Emerging Markets^	2.0	2.0	0.0	17.5	19.9	2.4	0.0	0.0	0.4	0.4
Passive Int'l^	16.1	16.1	0.0	10.7	10.7	0.0	0.0	0.0	1.7	1.7
Currency Overlay^	0.0	0.0	0.0	12.4	11.6	-0.8	0.0	0.0	0.0	0.0
AIM Program	6.0	4.9	-1.1	3.9	2.1	-1.8	0.0	-0.1	0.2	0.1
Total Fixed Income	26.0	25.9	-0.1	-1.3	-1.0	0.3	0.0	0.1	-0.3	-0.3
U.S. Fixed Income	23.0	23.1	0.1	-1.3	-1.0	0.3	0.0	0.1	-0.3	-0.2
Internal U.S. Bonds^	21.0	21.0	0.0	-1.3	-1.4	-0.1	0.0	0.0	-0.3	-0.3
Special Investments^	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Opportunistic^	1.1	1.1	0.0	0.9	5.6	4.7	0.0	0.1	0.0	0.1
Non-U.S. Fixed Income	3.0	2.8	-0.2	-1.1	-1.1	0.0	0.0	0.0	0.0	0.0
Real Estate	8.0	5.8	-2.2	5.3	12.9	7.6	0.0	0.4	0.4	0.7
Cash Equivalents	0.0	1.3	1.3	0.8	0.9	0.1	0.0	0.0	0.0	0.0
Total Fund	100.0	100.0	0.0	4.1	4.7	0.6	0.0	0.6	4.1	4.7

^ There are no existing policy weights for these investments programs. Therefore, the policy percentages are equal to the actual percentages. The total of the policy percentages may not sum to the asset class policy percentage.



Total Fund Review (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of +4.7%, for the quarter ended September 30, 2005. CalPERS' return can be attributed as follows:

+4.1% Strategic Policy Allocation
0.0% Actual/Tactical Asset Allocation
+0.6% Active Management
+4.7% Total Return

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The total fund composite outperformed its strategic policy due, in large part, to high value-added from active management in the Real Estate and International Equity segments. Real Estate with its 12.9% return was the best performing asset class over the past quarter. International equity was the second best performing asset class with an 11.7% return. The System exceeded the weighted policy index return of 0.6% for the quarter. In addition, the System has outpaced its actuarial rate of interest over the one-year, three-year, and ten-year periods.
- ◆ CalPERS has made a significant effort to develop internal strategies and talent to add value to the System's investment portfolio. Many of these strategies have proven successful. However, several segments that have outperformed their respective benchmarks have added little value to the overall performance of the System due to their relatively small weights.



Total Fund Review (continued)

Helped Performance:

- ◆ **International Equity Exposure:** The System's non-US equity segment, as a whole, generated a double-digit return of 11.7% for the quarter. It outperformed its custom benchmark and added value versus the overall fund and its policy. The economic recovery in Japan and the high price of oil helped international stocks.
- ◆ **Real Estate Exposure:** The System's real estate segment, with a return of 12.9% for the quarter, exceeded the total fund policy's return of 2.5%, and the NCREIF Property Lagged Index return of 5.3%. This segment also benefited from its exposure to real estate securities, which produced double-digit returns during the quarter. The total fund composite continues to benefit from its exposure to real estate over all time periods.
- ◆ **Corporate Governance:** The System's corporate governance program lagged its policy index but beat the total fund policy as international managers outperformed.
- ◆ **RMS ARS Program:** The RMS ARS program outperformed the total fund policy index during the quarter; helping the performance of the overall fund.

Impeded Performance:

- ◆ **U.S. Equity Exposure:** The System's US equity asset class had positive returns for the quarter and beat its policy index but underperformed the total fund policy. As international markets outperformed versus US stocks.
- ◆ **U.S. Bond Exposure:** Bond markets had negative returns as yields rose during the quarter and investors moved money into equities. Among the Lehman sectors, mortgage bonds yielded the highest returns (Lehman Mortgage, -0.15%). The Lehman Long Liability returned -1.3% for the quarter and the Lehman Long Liability High Yield returned 0.91%. The asset class outperformed versus its policy index as high yield exposure aided performance. However, the System's domestic fixed income composite lagged the total fund policy.
- ◆ **International Fixed Income:** The international bond market was negatively affected by raising US yields and the appreciation of the dollar. The overall market produced negative results, as the Citigroup Non-US Government Bond index returned -1.1% during the quarter. CalPERS' international bond segment hindered the performance of the overall fund but equaled its policy index.
- ◆ **AIM Program:** The AIM Program lagged the total fund policy over the quarter. The System's alternative investments are mostly young and the quarterly performance is not fully indicative of the program's future potential.



Total Equity Review

Periods Ended 9/30/05

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	40.4%	40.0%	+0.4 %
Non US Equities	24.0	20.0	+4.0
AIM	4.7	6.0	-1.3

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Equity ^{10*}	135.2	6.3%	19.5%	19.6%	0.9%	9.3%
<i>Equity Policy Index</i> ¹¹		6.2%	18.7%	19.4%	0.3%	8.5%
<i>Value Added</i>		0.1%	0.8%	0.2%	0.6%	0.8%
US Equity Composite	75.9	3.9%	13.9%	18.0%	-0.6%	9.6%
<i>PERS Wilshire 2500 Index</i>		3.8%	13.9%	17.9%	-1.0%	9.3%
<i>Value Added</i>		0.1%	0.0%	0.1%	0.4%	0.3%
Non-US Equity Composite	44.7	11.7%	29.2%	24.8%	3.5%	7.4%
<i>PERS SSgA Custom Index</i> ¹²		11.4%	29.0%	26.8%	4.5%	5.6%
<i>Value Added</i>		0.3%	0.2%	-2.0%	-1.0%	1.8%
RM ARS Program	1.5	4.9%	15.2%	11.2%	-.-%	-.-%
<i>Policy Index</i> ¹³		1.7%	6.7%	12.2%	-.-%	-.-%
<i>Value Added</i>		3.2%	8.5%	-1.0%	-.-%	-.-%
Corporate Governance	3.6	5.9%	33.7%	29.3%	17.1%	-.-%
<i>Policy Index</i> ¹⁴		9.3%	21.6%	22.4%	3.2%	-.-%
<i>Value Added</i>		-3.4%	12.1%	6.9%	13.9%	-.-%
AIM Program*	9.3	2.1%	21.2%	10.3%	0.0%	-.-%
<i>Policy Index</i> ¹⁵		3.9%	13.4%	5.8%	-4.7%	-.-%
<i>Value Added</i>		-1.8%	7.8%	4.5%	4.7%	-.-%
<i>Long-Term Policy</i>						15.8%
AIM Partnership Investments	9.2	2.0%	20.8%	10.1%	0.3%	12.3%
AIM Distribution Stock	0.0	7.8%	31.0%	25.4%	-11.4%	-.-%

¹⁰ Includes domestic equity, international equity, alternative investments, corporate governance, and ventures.

¹¹ The Equity Policy Index return equals the benchmark returns for domestic equity, international equity, and alternative investment segments weighted at policy allocation target percentages.

¹² The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹³ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

¹⁴ The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

¹⁵ The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.

* Composites may not add up exactly due to rounding.



Total Equity Review (continued)

Comments Regarding Recent Equity Segment Performance

Helped Performance:

- ◆ **International Equity Exposure:** The System's international equity managers aided performance and produced double-digits results for the quarter. The segment has added value since inception.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers continue to outperform the developed managers. CalPERS' emerging markets portfolio has significantly outperformed the total equity index over the quarter, one-year, and three-years time periods.
- ◆ **Corporate Governance:** The corporate governance program benefited from the outperformance of several international managers versus the equity policy index. The gains from the program's international managers, especially Taiyo and SPARX, accounted for the strong performance.
- ◆ **Currency Overlay:** The systems currency overlay program added significant value to the overall equities return over the quarter and the one-year time period.
- ◆ **International Equity MDP:** The System's international MDP program beat the total equity policy this quarter. The program has added value over longer periods.
- ◆ **Domestic Micro-cap Exposure:** The internal micro-cap portfolios outperformed its benchmark and the equity policy index this quarter, benefiting the total equity program.

Impeded Performance:

- ◆ **Internal PERS 2500:** The System's internal PERS 2500 index fund produced a positive return but lagged relative to the equity policy index. However, the fund's performance matched that of its custom benchmark.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio had a positive return but lagged the equity policy return for the quarter and has underperformed during the one-year period.
- ◆ **AIM Program:** The AIM program lagged the equity segment over the quarter. For the one year time period AIM has outperformed the equity policy.
- ◆ **Active External Mainstream managers:** The external mainstream domestic managers produced positive results but underperformed the equity policy index for the quarter and over the one-year, three-year, and five-year time periods
- ◆ **Total Domestic MDP:** The System's total domestic MDP programs lagged the total equity policy this quarter, but outperformed versus the domestic equity policy index. It has lagged the equity policy index over the one-year and three-year time periods.
- ◆ **RM ARS Program:** The System's RM ARS program had a positive return for the quarter but lagged the equity policy index.



Total Equity Review - U.S. Equity Manager Performance*

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
US Equity Composite*	75.9	3.9%	13.9%	18.0%	-0.6%	13.0%	12/79
<i>PERS Wilshire 2500 Index</i>		3.8%	13.9%	17.9%	-1.0%		
<i>Value Added</i>		0.1%	0.0%	0.1%	0.4%		
Total Internal Equity*	64.1	3.9%	13.9%	17.8%	-0.5%	11.4%	6/88
Internal PERS 2500	54.5	3.9%	14.0%	18.0%	-0.7%	10.5%	12/91
<i>PERS Wilshire 2500</i>		3.8%	13.9%	17.9%	-1.0%	10.3%	
<i>Tracking Error</i>		0.1%	0.1%	0.1%	0.3%	0.2%	
Dynamic Completion Fund (DCF)	7.1	3.4%	11.7%	14.5%	0.5%	4.5%	9/98
<i>Custom Benchmark</i>		3.6%	11.8%	14.5%	-0.3%	3.8%	
<i>Tracking Error</i>		-0.2%	-0.1%	0.0%	0.8%	0.7%	
Domestic Enhanced Index Strategy	1.6	4.9%	17.2%	21.1%	-.-%	6.0%	3/01
<i>PERS Wilshire 2500</i>		3.8%	13.9%	17.9%	-.-%		
<i>Value Added</i>		1.1%	3.3%	3.2%	-.-%		
Internal Microcap	0.7	8.9%	20.6%	-.-%	-.-%	17.1%	9/03
<i>Custom Benchmark</i>		9.5%	21.4%	-.-%	-.-%	19.6%	
<i>Tracking Error</i>		-0.6%	-0.8%	-.-%	-.-%	-2.5%	
Total External Domestic Equity	11.7	3.6%	14.0%	19.5%	-0.7%	11.0%	6/87
Total Active External Mainstream	3.8	3.5%	13.7%	19.2%	-2.4%	4.1%	6/98
Total Domestic Ext. Enhanced	5.9	3.5%	13.4%	-.-%	-.-%	13.4%	9/04
<i>Custom Benchmark</i>		3.8%	12.9%	-.-%	-.-%	12.9%	
<i>Value Added</i>		-0.3%	0.5%	-.-%	-.-%	0.5%	
Total Domestic Equity MDP	2.0	4.5%	16.2%	18.4%	-.-%	2.9%	12/00
Total Domestic Equity MDP Ventures	0.0	60.7%	90.9%	38.5%	-.-%	24.8%	3/01
Domestic Equity Active Manager Program ¹⁶							
Active External Managers + Enh + DCF	16.8	3.4%	12.7%	17.3%	-1.4%	3.6%	6/98
<i>PERS Wilshire 2500</i>		3.8%	13.9%	17.9%	-1.0%	3.0%	
<i>Value Added of Active Mgr Program</i>		-0.4%	-1.2%	-0.6%	-0.4%	0.6%	

* Composites may not add up exactly due to rounding.

¹⁶ This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.



Total Equity Review - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Non-US Equity Composite*	44.7	11.7%	29.2%	24.8%	3.5%	6.7%	6/89
PERS SSgA Custom Index ¹⁷		11.4%	29.0%	26.8%	4.5%	5.8%	
Value Added		0.3%	0.2%	-2.0%	-1.0%	0.9%	
External Active							
Int'l Active Mainstream	7.9	12.0%	29.3%	24.5%	3.2%	6.9%	6/89
CalPERS FTSE All World Ex-US		11.4%	29.0%	26.8%	4.5%	5.8%	
Int'l Emerging Markets	4.6	19.9%	56.1%	43.0%	-.-%	43.0%	9/02
CalPERS FTSE All Emerging Index		17.5%	48.0%	38.2%	-.-%	22.8%	
Total Int'l MDP	0.8	7.1%	22.7%	22.1%	2.6%	0.8%	6/00
Internal International Equity Index	5.7	10.8%	-.-%	-.-%	-.-%	10.8%	6/05
Custom Benchmark		10.6%	-.-%	-.-%	-.-%	10.6%	
Tracking Error		0.1%	-.-%	-.-%	-.-%	0.1%	
State Street Passive (Hedged)	25.8	10.7%	27.6%	23.7%	2.9%	8.4%	6/92
State Street Passive (Unhedged)		10.7%	26.8%	25.8%	4.1%	5.6%	6/89
Custom Benchmark		10.6%	26.6%	25.6%	3.9%	6.6%	
Tracking Error		0.1%	0.2%	0.2%	0.3%	-0.9%	
Currency Overlay ¹⁸							
Pareto Partners	5.9	10.7%	27.6%	20.4%	1.3%	8.8%	6/92
Custom Benchmark		12.4%	27.1%	16.2%	-1.8%	8.2%	
Value Added		-1.7%	0.6%	4.2%	3.1%	0.7%	
State Street London	2.5	10.4%	28.1%	19.0%	1.3%	7.4%	9/96
Custom Benchmark		12.4%	27.1%	16.2%	-1.8%	6.6%	
Value Added		-2.0%	1.1%	2.8%	3.1%	0.8%	
Internal Currency Overlay	1.9	11.6%	29.3%	18.7%	-.-%	7.2%	9/01
Custom Benchmark		12.4%	27.1%	16.2%	-.-%	5.3%	
Value Added		-0.8%	2.2%	2.6%	-.-%	1.9%	

¹⁷ The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹⁸ The currency overlay portfolios' values are included in the State Street (Hedged) portfolio value.

* Composite may not add up exactly due to rounding.

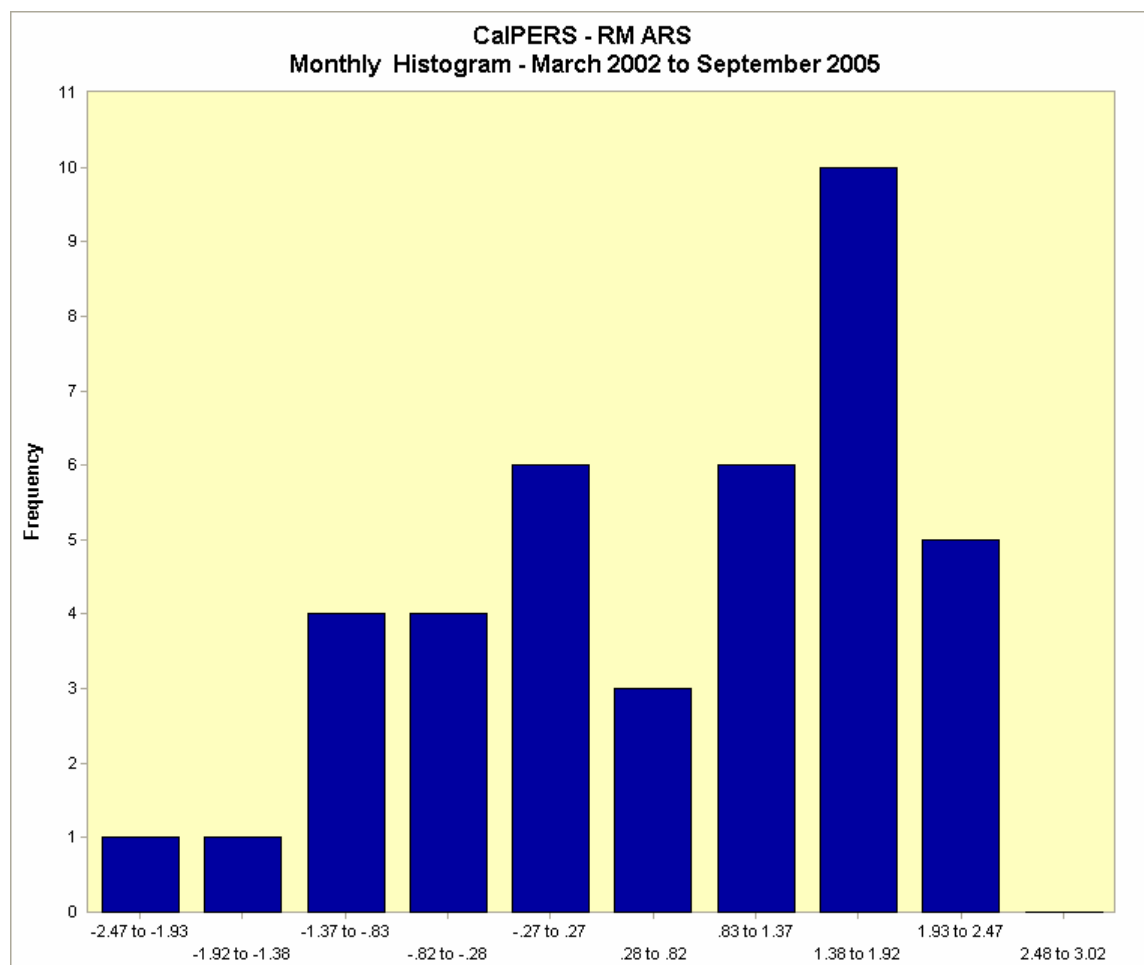


RM ARS Program Review
Period Ended 9/30/05

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total RM ARS Program*	1.5	4.9%	15.2%	11.2%	-.-%
<i>Policy Index</i> ¹⁹		1.7%	6.7%	12.2%	-.-%
<i>Value Added</i>		3.2%	8.5%	-1.0%	-.-%
HFRI Fund of Funds Index		4.9%	11.0%	8.5%	-.-%
CalPERS Hedge Fund Partners	0.8	5.5%	17.2%	11.9%	-.-%
CalPERS Hedge Fund UBS	0.8	4.3%	10.1%	-.-%	-.-%

RM ARS Program Characteristics
Period Ended 9/30/05

	<u>Since Inception Rolling Correlations vs. Index</u>					
<u>Characteristics as of 9/30/05</u>	<u>Beta vs.</u>	<u>No. of</u>	<u>DJ</u>	<u>PERS</u>	<u>Custom</u>	<u>FTSE AW</u>
	<u>S&P 500</u>	<u>Strategies</u>	<u>W5000</u> ²⁰	<u>2500</u> ²⁰	<u>Benchmark</u> ²⁰	<u>X US</u> ²⁰
RM ARS Program	0.16	8	0.49	0.48	-0.07	0.49



¹⁹ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

²⁰ DJ W5000 = Dow Jones Wilshire 5000 Index, PERS 2500 = CalPERS 2500 Index, Custom Benchmark = weighted average benchmark using actual portfolio weights, FTSE AW X US = FTSE All World, Ex-United States Index.

* Composite may not add up exactly due to rounding.



- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market's, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.16 which implies a weak relationship to stock market return.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a high correlation. Given the short track record, we believe this result is coincidental.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performances. A significant number of outlying monthly performances would indicate insufficient risk controls. At this time, we believe that the distribution of monthly returns is as expected, given the youthfulness of the program.

Corporate Governance Review

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Corporate Governance	3.6	5.9%	33.7%	29.3%	17.1%	16.7%	12/98
<i>Policy Index</i>		9.3%	21.6%	22.4%	3.2%	4.7%	
<i>Value Added</i>		-3.4%	12.1%	6.9%	13.9%	11.9%	
Total Domestic Corporate Governance	1.7	3.4%	26.7%	24.8%	21.3%	23.0%	12/98
Total Int'l Corporate Governance	1.9	7.8%	38.6%	32.8%	13.0%	10.8%	12/98



Total Fixed Income Review

Periods Ended 9/30/05

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	22.9%	23.0%	-0.1%
Non US Fixed Income	2.8	3.0	-0.2

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	50.1	-1.0%	5.0%	8.2%	8.6%	7.5%
Fixed Income Policy Index ²¹		-1.3%	4.6%	6.0%	8.2%	7.1%
Value Added		0.3%	0.4%	2.2%	0.4%	0.4%
U.S. Fixed Income	44.6	-1.0%	5.0%	7.8%	8.4%	7.7%
Policy Index ²²		-1.3%	4.8%	5.5%	8.1%	7.4%
Value Added		0.3%	0.2%	2.3%	0.3%	0.3%
Non-U.S. Fixed Income	5.5	-1.1%	3.7%	10.2%	9.0%	5.7%
Policy Index ²³		-1.1%	3.2%	9.6%	8.7%	4.9%
Value Added		0.0%	0.5%	0.6%	0.3%	0.8%

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- ◆ **Mortgage Bonds:** The mortgage sector performed relatively well this quarter in the overall fixed income segment. CalPERS' mortgage portfolio added value versus the fixed income policy index over the period.
- ◆ **International Fixed Income:** The System's international bond segment outperformed versus the total fixed income policy for the quarter. The composite mirrored its custom benchmark over the period.
- ◆ **Special Investments Bonds:** The special investments outperformed the total fixed income policy index over the quarter, but have lagged over longer periods.
- ◆ **External High Yield Bonds:** The external high yield bond managers outperformed the custom benchmark, Citigroup High Yield Cash Pay Index and the total fixed income policy index during the quarter. Favorable active management helped performance.

²¹ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

²² The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

²³ The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.



- ◆ **Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds, outperformed the total fixed income policy over the quarter, and over longer time periods.
- ◆ **Internal High Yield Bonds:** CalPERS' internal high yield portfolio outpaced the total fixed income policy return during the quarter. The portfolio has also outpaced the total fixed income policy index over all longer time periods.

Impeded Performance:

- ◆ **Corporate Bonds:** For the quarter, the System's corporate bonds hurt performance versus the total fixed income policy segment. However, the portfolio has outperformed versus the fixed income policy index over longer periods.
- ◆ **Treasury Bonds:** Treasury bonds unperformed the fixed income policy index for the quarter, as the Fed continues to raise interest rates. However, the portfolio has outperformed during the one-year, five-year and ten-year time periods.

Fixed Income Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income*	50.1	-1.0%	5.0%	8.2%	8.6%	7.5%
Fixed Income Policy Index ²⁴		-1.3%	4.6%	6.0%	8.2%	7.1%
Value Added		0.3%	0.4%	2.2%	0.4%	0.4%
Total Internal Bonds	40.9	-1.4%	4.2%	6.6%	8.0%	7.5%
Corporate Bond	10.0	-1.9%	5.4%	10.7%	9.0%	8.0%
Treasury Bonds	8.2	-1.7%	5.5%	4.6%	8.7%	7.9%
Mortgage Bonds	13.1	-0.1%	3.6%	4.2%	6.6%	6.9%
High Yield Bonds	0.7	5.4%	20.6%	25.9%	17.1%	-.%
Sovereign Bonds	0.8	-0.9%	7.3%	8.6%	11.8%	-.%
Duration/SEC Allocation	8.1	-.%	-.%	-.%	-.%	-.%
Lehman Long Liabilities Index		-1.3%	4.8%	-.%	-.%	-.%
Opportunistic ²⁵	2.2	5.6%	20.7%	26.4%	9.3%	-.%
External High Yield	1.4	3.3%	10.3%	15.9%	-.%	-.%
Citigroup High Yield Cash Pay		0.8%	6.3%	16.4%	-.%	-.%
Special Investments	1.5	0.0%	4.6%	5.3%	6.9%	6.3%
External International Fixed Income	5.5	-1.1%	3.7%	10.2%	9.0%	5.7%
Custom Benchmark ²⁶		-1.1%	3.2%	9.6%	8.7%	4.9%
Value Added		0.0%	0.5%	0.6%	0.3%	0.8%

²⁴ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

²⁵ Opportunistic includes internal and external high yield.

²⁶ The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

* Composite may not add up exactly due to rounding.



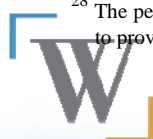
Total Real Estate Review Period Ended 9/30/05

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Real Estate ²⁷	9.4	12.9%	43.3%	20.5%	16.3%	14.1%
<i>NCREIF Property Index Lagged</i> ²⁸		5.3%	18.0%	12.1%	10.6%	11.4%
<i>TUCS Real Estate Median</i>		3.6%	19.7%	14.1%	10.9%	12.2%
Total Core Real Estate	5.3	13.6%	46.5%	20.0%	17.1%	14.8%
Core Real Estate Private	5.2	13.7%	46.6%	19.8%	17.0%	14.2%
Core Real Estate Securities	0.1	4.0%	34.0%	27.5%	20.0%	-.-%
Total Non-Core Real Estate	4.1	6.4%	30.8%	20.7%	12.5%	12.8%

- ◆ CalPERS' real estate composite return of 12.9% outpaced both the lagged NCREIF Property Index return of 5.3% as well as the TUCS real estate median return of 3.6% during the quarter by a wide margin. The composite also outpaced both the NCREIF Property Lagged Index and the TUCS median over the long term. The real estate exposure contributed to the System's outperformance for this quarter.

²⁷ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

²⁸ The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.



APPENDIX



External Manager Performance Review Domestic Equity - Core

Active External Mainstream Mgrs	Market Value 3.8	Qtr 3.5%	1 Year 13.7%	3 Year 19.2%	5 Year -2.4%	Incept. 4.1%	Date 6/98
Domestic External Core							
Smith Asset Large Cap (MDP)	0.1	6.7%	18.1%	-.%	-.%	13.1%	12/03
<i>Custom Benchmark</i>		3.6%	12.2%	-.%	-.%	7.7%	
<i>Value Added</i>		3.1%	5.8%	-.%	-.%	5.3%	
<i>Performance Objective</i>		4.1%	14.2%	-.%	-.%	9.7%	
<i>Value Added</i>		2.6%	3.8%	-.%	-.%	3.3%	
Golden Capital - Large Core (MDP)	0.1	4.4%	14.7%	17.3%	-.%	2.2%	12/00
<i>Custom Benchmark</i>		3.6%	12.2%	16.7%	-.%	0.1%	
<i>Value Added</i>		0.8%	2.5%	0.6%	-.%	2.0%	
<i>Performance Objective</i>		3.9%	13.2%	17.7%	-.%	1.1%	
<i>Value Added</i>		0.5%	1.5%	-0.5%	-.%	1.0%	
Golden Capital - Small Core (MDP)	0.1	5.3%	21.2%	23.1%	-.%	11.6%	12/00
<i>Custom Benchmark</i>		5.4%	21.2%	24.2%	-.%	11.3%	
<i>Value Added</i>		-0.1%	-0.1%	-1.2%	-.%	0.3%	
<i>Performance Objective</i>		5.6%	22.2%	25.2%	-.%	12.3%	
<i>Value Added</i>		-0.4%	-1.1%	-2.2%	-.%	-0.7%	



External Manager Performance Review (continued)

Domestic Equity – Growth

Active External Mainstream Mgrs	Market Value 3.8	Qtr 3.5%	1 Year 13.7%	3 Year 19.2%	5 Year -2.4%	Incept. 4.1%	Date 6/98
Domestic External Growth							
Smith Graham (MDP)	0.1	3.4%	13.5%	12.8%	-.-%	12.8%	9/02
<i>Custom Benchmark</i>		4.0%	11.6%	16.4%	-.-%	16.4%	
<i>Value Added</i>		-0.7%	1.9%	-3.6%	-.-%	-3.6%	
<i>Performance Objective</i>		4.4%	13.1%	17.9%	-.-%	17.9%	
<i>Value Added</i>		-1.0%	0.4%	-5.1%	-.-%	-5.1%	
Geewax Terker	0.5	2.7%	12.2%	13.1%	-8.2%	-1.2%	6/98
<i>Custom Benchmark</i>		3.2%	10.5%	14.1%	-8.5%	-1.0%	
<i>Value Added</i>		-0.5%	1.7%	-0.9%	0.3%	-0.2%	
<i>Performance Objective</i>		3.5%	11.7%	15.3%	-7.3%	0.3%	
<i>Value Added</i>		-0.8%	0.5%	-2.2%	-1.0%	-1.4%	
Stux (MDP)	0.2	4.1%	14.9%	-.-%	-.-%	8.1%	3/04
<i>Custom Benchmark</i>		3.9%	14.3%	-.-%	-.-%	9.0%	
<i>Value Added</i>		0.1%	0.6%	-.-%	-.-%	-0.8%	
<i>Performance Objective</i>		4.3%	15.8%	-.-%	-.-%	10.5%	
<i>Value Added</i>		-0.3%	-0.9%	-.-%	-.-%	-2.3%	
Franklin Advisers	0.6	1.4%	6.9%	15.2%	-.-%	15.2%	9/02
<i>Custom Benchmark</i>		4.0%	13.8%	17.3%	-.-%	17.3%	
<i>Value Added</i>		-2.6%	-6.9%	-2.1%	-.-%	-2.1%	
<i>Performance Objective</i>		4.3%	15.0%	18.5%	-.-%	18.5%	
<i>Value Added</i>		-2.9%	-8.2%	-3.4%	-.-%	-3.4%	
Rigel - Large Growth (MDP)	0.2	4.6%	16.1%	-.-%	-.-%	10.9%	12/03
<i>Custom Benchmark</i>		4.0%	11.6%	-.-%	-.-%	4.9%	
<i>Value Added</i>		0.5%	4.5%	-.-%	-.-%	6.1%	
<i>Performance Objective</i>		4.5%	13.6%	-.-%	-.-%	6.9%	
<i>Value Added</i>		0.0%	2.5%	-.-%	-.-%	4.1%	
Rigel - Small Mid Growth (MDP)	0.1	4.5%	16.3%	-.-%	-.-%	11.8%	12/03
<i>Custom Benchmark</i>		6.3%	21.0%	-.-%	-.-%	11.3%	
<i>Value Added</i>		-1.8%	-4.8%	-.-%	-.-%	0.4%	
<i>Performance Objective</i>		6.9%	23.5%	-.-%	-.-%	13.8%	
<i>Value Added</i>		-2.5%	-7.3%	-.-%	-.-%	-2.1%	
Westcap Investments (MDP)	0.2	7.1%	19.1%	18.6%	-.-%	18.6%	9/02
<i>Custom Benchmark</i>		6.3%	20.5%	21.8%	-.-%	21.8%	
<i>Value Added</i>		0.8%	-1.5%	-3.2%	-.-%	-3.2%	
<i>Performance Objective</i>		7.1%	23.5%	24.8%	-.-%	24.8%	
<i>Value Added</i>		0.0%	-4.5%	-6.2%	-.-%	-6.2%	



External Manager Performance Review (continued)

Domestic Equity – Value

Active External Mainstream Mgrs	<u>Market Value</u> 3.8	<u>Qtr</u> 3.5%	<u>1 Year</u> 13.7%	<u>3 Year</u> 19.2%	<u>5 Year</u> -2.4%	<u>Incept.</u> 4.1%	<u>Date</u> 6/98
Domestic External Value							
JP Morgan	0.6	3.3%	15.8%	20.6%	4.3%	4.3%	9/00
<i>Custom Benchmark</i>		4.2%	16.8%	20.7%	5.1%	5.1%	
<i>Value Added</i>		-0.9%	-1.0%	-0.1%	-0.8%	-0.8%	
<i>Performance Objective</i>		4.5%	18.1%	22.0%	6.4%	6.4%	
<i>Value Added</i>		-1.2%	-2.2%	-1.4%	-2.0%	-2.0%	
Denali Advisors (MDP)	0.1	4.8%	22.5%	20.7%	-.%	6.0%	6/01
<i>Custom Benchmark</i>		4.2%	16.8%	20.7%	-.%	6.2%	
<i>Value Added</i>		0.6%	5.7%	0.0%	-.%	-0.2%	
<i>Performance Objective</i>		4.7%	18.8%	22.7%	-.%	8.2%	
<i>Value Added</i>		0.1%	3.7%	-2.0%	-.%	-2.2%	
Golden Capital - Large Value (MDP)	0.2	4.1%	15.9%	18.1%	-.%	5.3%	12/00
<i>Custom Benchmark</i>		3.6%	12.2%	16.7%	-.%	0.1%	
<i>Value Added</i>		0.5%	3.6%	1.4%	-.%	5.1%	
<i>Performance Objective</i>		4.1%	14.2%	18.7%	-.%	2.1%	
<i>Value Added</i>		0.0%	1.6%	-0.6%	-.%	3.1%	
Philippe U.S. Equity (MDP)	0.1	0.8%	7.4%	-.%	-.%	7.4%	9/04
<i>Custom Benchmark</i>		3.9%	14.3%	-.%	-.%	14.3%	
<i>Value Added</i>		-3.1%	-6.8%	-.%	-.%	-6.8%	
<i>Performance Objective</i>		4.3%	15.5%	-.%	-.%	15.5%	
<i>Value Added</i>		-3.4%	-8.1%	-.%	-.%	-8.1%	
AllianceBernstein	0.7	5.4%	18.9%	22.5%	12.3%	12.3%	9/00
<i>Custom Benchmark</i>		4.3%	17.3%	22.0%	7.2%	7.2%	
<i>Value Added</i>		1.1%	1.5%	0.5%	5.0%	5.0%	
<i>Performance Objective</i>		4.6%	18.6%	23.2%	8.5%	8.5%	
<i>Value Added</i>		0.8%	0.3%	-0.7%	3.8%	3.8%	
The Boston Company	0.8	5.7%	20.4%	27.3%	7.5%	7.7%	6/98
<i>Custom Benchmark</i>		4.2%	16.4%	21.3%	6.2%	6.8%	
<i>Value Added</i>		1.6%	4.0%	6.1%	1.3%	0.9%	
<i>Performance Objective</i>		4.5%	17.6%	22.5%	7.4%	8.1%	
<i>Value Added</i>		1.2%	2.8%	4.8%	0.0%	-0.4%	



External Manager Performance Review (continued)

Domestic Equity – Value cont'd

Active External Mainstream Mgrs	Market Value 3.8	Qtr 3.5%	1 Year 13.7%	3 Year 19.2%	5 Year -2.4%	Incept. 4.1%	Date 6/98
Domestic External Value cont'd							
Pzena	0.8	2.2%	15.1%	27.0%	18.2%	18.2%	9/00
<i>Custom Benchmark</i>		4.6%	18.3%	24.5%	11.4%	11.4%	
<i>Value Added</i>		-2.4%	-3.2%	2.5%	6.7%	6.7%	
<i>Performance Objective</i>		4.9%	19.6%	25.8%	12.7%	12.7%	
<i>Value Added</i>		-2.7%	-4.5%	1.3%	5.5%	5.5%	
Shenandoah (MDP)	0.2	4.4%	23.1%	22.7%	-.-%	10.5%	3/01
<i>Custom Benchmark</i>		4.9%	22.2%	22.1%	-.-%	11.6%	
<i>Value Added</i>		-0.5%	0.9%	0.6%	-.-%	-1.1%	
<i>Performance Objective</i>		5.4%	24.2%	24.1%	-.-%	13.6%	
<i>Value Added</i>		-1.0%	-1.1%	-1.4%	-.-%	-3.1%	
Smith Asset Small Cap (MDP)	0.1	4.1%	21.6%	-.-%	-.-%	16.6%	12/03
<i>Custom Benchmark</i>		4.7%	18.0%	-.-%	-.-%	12.2%	
<i>Value Added</i>		-0.6%	3.6%	-.-%	-.-%	4.4%	
<i>Performance Objective</i>		5.3%	20.5%	-.-%	-.-%	14.7%	
<i>Value Added</i>		-1.2%	1.1%	-.-%	-.-%	1.9%	
Timeless (MDP)	0.2	3.5%	7.4%	19.6%	-.-%	19.6%	9/02
<i>Custom Benchmark</i>		4.7%	18.0%	24.1%	-.-%	24.1%	
<i>Value Added</i>		-1.2%	-10.6%	-4.5%	-.-%	-4.5%	
<i>Performance Objective</i>		5.3%	20.5%	26.6%	-.-%	26.6%	
<i>Value Added</i>		-1.8%	-13.1%	-7.0%	-.-%	-7.0%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic Ext. Enhanced	5.9	3.5%	13.4%	-.-%	-.-%	13.4%	9/04
Atlantic Asset Management	0.3	3.4%	-.-%	-.-%	-.-%	2.3%	12/04
<i>Custom Benchmark</i>		3.6%	-.-%	-.-%	-.-%	2.8%	
<i>Value Added</i>		-0.2%	-.-%	-.-%	-.-%	-0.5%	
<i>Performance Objective</i>		3.9%	-.-%	-.-%	-.-%	3.5%	
<i>Value Added</i>		-0.4%	-.-%	-.-%	-.-%	-1.2%	
Barclays Global Investors	1.0	-.-%	-.-%	-.-%	-.-%	-.-%	9/05
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Franklin Portfolio Associates	0.9	3.2%	12.9%	-.-%	-.-%	12.9%	9/04
<i>Custom Benchmark</i>		3.8%	13.6%	-.-%	-.-%	13.6%	
<i>Value Added</i>		-0.6%	-0.7%	-.-%	-.-%	-0.7%	
<i>Performance Objective</i>		4.1%	14.6%	-.-%	-.-%	14.6%	
<i>Value Added</i>		-0.9%	-1.7%	-.-%	-.-%	-1.7%	
Goldman Sachs Enhanced	0.4	5.2%	-.-%	-.-%	-.-%	9.3%	3/05
<i>Custom Benchmark</i>		5.2%	-.-%	-.-%	-.-%	9.0%	
<i>Value Added</i>		0.0%	-.-%	-.-%	-.-%	0.3%	
<i>Performance Objective</i>		5.6%	-.-%	-.-%	-.-%	9.9%	
<i>Value Added</i>		-0.5%	-.-%	-.-%	-.-%	-0.6%	
INTECH	1.2	3.4%	16.0%	-.-%	-.-%	16.0%	9/04
<i>Custom Benchmark</i>		3.8%	13.6%	-.-%	-.-%	13.6%	
<i>Value Added</i>		-0.5%	2.5%	-.-%	-.-%	2.5%	
<i>Performance Objective</i>		4.1%	14.6%	-.-%	-.-%	14.6%	
<i>Value Added</i>		-0.7%	1.5%	-.-%	-.-%	1.5%	
Quantitative Management Associates	0.9	3.1%	13.2%	-.-%	-.-%	13.2%	9/04
<i>Custom Benchmark</i>		3.4%	11.6%	-.-%	-.-%	11.6%	
<i>Value Added</i>		-0.3%	1.6%	-.-%	-.-%	1.6%	
<i>Performance Objective</i>		3.7%	12.6%	-.-%	-.-%	12.6%	
<i>Value Added</i>		-0.5%	0.6%	-.-%	-.-%	0.6%	
Smith Breeden	0.6	3.3%	-.-%	-.-%	-.-%	2.5%	12/04
<i>Custom Benchmark</i>		3.6%	-.-%	-.-%	-.-%	2.8%	
<i>Value Added</i>		-0.3%	-.-%	-.-%	-.-%	-0.3%	
<i>Performance Objective</i>		3.9%	-.-%	-.-%	-.-%	3.5%	
<i>Value Added</i>		-0.5%	-.-%	-.-%	-.-%	-1.0%	
WAMCO	0.6	3.7%	12.4%	-.-%	-.-%	12.4%	9/04
<i>Custom Benchmark</i>		3.6%	12.2%	-.-%	-.-%	12.2%	
<i>Value Added</i>		0.1%	0.1%	-.-%	-.-%	0.1%	
<i>Performance Objective</i>		3.9%	13.2%	-.-%	-.-%	13.2%	
<i>Value Added</i>		-0.2%	-0.9%	-.-%	-.-%	-0.9%	



External Manager Performance Review (continued)

Domestic Equity – MDP ²⁹

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic MDP	2.0	4.5%	16.2%	18.4%	-.-%	2.9%	12/00
Total Domestic MDP Ventures	0.0	60.7%	90.9%	38.5%	-.-%	24.8%	3/01
Golden Capital - Large Core (MDP)	0.1	4.4%	14.7%	17.3%	-.-%	2.2%	12/00
<i>Custom Benchmark</i>		3.6%	12.2%	16.7%	-.-%	0.1%	
<i>Value Added</i>		0.8%	2.5%	0.6%	-.-%	2.0%	
<i>Performance Objective</i>		3.9%	13.2%	17.7%	-.-%	1.1%	
<i>Value Added</i>		0.5%	1.5%	-0.4%	-.-%	1.0%	
Golden Capital - Small Core (MDP)	0.1	5.3%	21.2%	23.1%	-.-%	11.6%	12/00
<i>Custom Benchmark</i>		5.4%	21.2%	24.2%	-.-%	11.3%	
<i>Value Added</i>		-0.1%	-0.1%	-1.2%	-.-%	0.3%	
<i>Performance Objective</i>		5.6%	22.2%	25.2%	-.-%	12.3%	
<i>Value Added</i>		-0.4%	-1.1%	-2.2%	-.-%	-0.7%	
Rigel - Large Growth (MDP)	0.2	4.6%	16.1%	-.-%	-.-%	10.9%	12/03
<i>Custom Benchmark</i>		4.0%	11.6%	-.-%	-.-%	4.9%	
<i>Value Added</i>		0.5%	4.5%	-.-%	-.-%	6.1%	
<i>Performance Objective</i>		4.5%	13.6%	-.-%	-.-%	6.9%	
<i>Value Added</i>		0.0%	2.5%	-.-%	-.-%	4.1%	
Smith Graham (MDP)	0.1	3.4%	13.5%	12.8%	-.-%	12.8%	9/02
<i>Custom Benchmark</i>		4.0%	11.6%	16.4%	-.-%	16.4%	
<i>Value Added</i>		-0.7%	1.9%	-3.6%	-.-%	-3.6%	
<i>Performance Objective</i>		4.4%	13.1%	17.9%	-.-%	17.9%	
<i>Value Added</i>		-1.0%	0.4%	-5.1%	-.-%	-5.1%	
Stux (MDP)	0.2	4.1%	14.9%	-.-%	-.-%	8.1%	3/04
<i>Custom Benchmark</i>		3.9%	14.3%	-.-%	-.-%	9.0%	
<i>Value Added</i>		0.1%	0.6%	-.-%	-.-%	-0.8%	
<i>Performance Objective</i>		4.3%	15.8%	-.-%	-.-%	10.5%	
<i>Value Added</i>		-0.3%	-0.9%	-.-%	-.-%	-2.3%	
Rigel - Small Mid Growth (MDP)	0.1	4.5%	16.3%	-.-%	-.-%	11.8%	12/03
<i>Custom Benchmark</i>		6.3%	21.0%	-.-%	-.-%	11.3%	
<i>Value Added</i>		-1.8%	-4.8%	-.-%	-.-%	0.4%	
<i>Performance Objective</i>		6.9%	23.5%	-.-%	-.-%	13.8%	
<i>Value Added</i>		-2.5%	-7.3%	-.-%	-.-%	-2.1%	
Westcap Investments (MDP)	0.2	7.1%	19.1%	18.6%	-.-%	18.6%	9/02
<i>Custom Benchmark</i>		6.3%	20.5%	21.8%	-.-%	21.8%	
<i>Value Added</i>		0.8%	-1.5%	-3.2%	-.-%	-3.2%	
<i>Performance Objective</i>		7.1%	23.5%	24.8%	-.-%	24.8%	
<i>Value Added</i>		0.0%	-4.5%	-6.2%	-.-%	-6.2%	

²⁹ The MDP managers are listed by style elsewhere in this appendix.



External Manager Performance Review (continued)
Domestic Equity – MDP cont'd³⁰

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic MDP	2.0	4.5%	16.2%	18.4%	-.-%	2.9%	12/00
Total Domestic MDP Ventures	0.0	60.7%	90.9%	38.5%	-.-%	24.8%	3/01
Denali Advisors (MDP)	0.1	4.8%	22.5%	20.7%	-.-%	6.0%	6/01
<i>Custom Benchmark</i>		4.2%	16.8%	20.7%	-.-%	6.2%	
<i>Value Added</i>		0.5%	5.7%	0.0%	-.-%	-0.2%	
<i>Performance Objective</i>		4.7%	18.8%	22.7%	-.-%	8.2%	
<i>Value Added</i>		0.1%	3.7%	-2.0%	-.-%	-2.2%	
Golden Capital - Large Value (MDP)	0.2	4.1%	15.9%	18.1%	-.-%	5.3%	12/00
<i>Custom Benchmark</i>		3.6%	12.2%	16.7%	-.-%	0.1%	
<i>Value Added</i>		0.5%	3.6%	1.4%	-.-%	5.1%	
<i>Performance Objective</i>		4.1%	14.2%	18.7%	-.-%	2.1%	
<i>Value Added</i>		0.0%	1.6%	-0.6%	-.-%	3.1%	
Philippe U.S. Equity (MDP)	0.1	0.8%	7.4%	-.-%	-.-%	7.4%	9/04
<i>Custom Benchmark</i>		3.9%	14.3%	-.-%	-.-%	14.3%	
<i>Value Added</i>		-3.1%	-6.8%	-.-%	-.-%	-6.8%	
<i>Performance Objective</i>		4.3%	15.5%	-.-%	-.-%	15.5%	
<i>Value Added</i>		-3.4%	-8.1%	-.-%	-.-%	-8.1%	
Shenandoah (MDP)	0.2	4.4%	23.1%	22.7%	-.-%	10.5%	3/01
<i>Custom Benchmark</i>		4.9%	22.2%	22.1%	-.-%	11.6%	
<i>Value Added</i>		-0.5%	0.9%	0.6%	-.-%	-1.1%	
<i>Performance Objective</i>		5.4%	24.2%	24.1%	-.-%	13.6%	
<i>Value Added</i>		-1.0%	-1.1%	-1.4%	-.-%	-3.1%	
Smith Asset Small Cap (MDP)	0.1	4.1%	21.6%	-.-%	-.-%	16.6%	12/03
<i>Custom Benchmark</i>		4.7%	18.0%	-.-%	-.-%	12.2%	
<i>Value Added</i>		-0.6%	3.6%	-.-%	-.-%	4.4%	
<i>Performance Objective</i>		5.3%	20.5%	-.-%	-.-%	14.7%	
<i>Value Added</i>		-1.2%	1.1%	-.-%	-.-%	1.9%	
Timeless (MDP)	0.2	3.5%	7.4%	19.6%	-.-%	19.6%	9/02
<i>Custom Benchmark</i>		4.7%	18.0%	24.1%	-.-%	24.1%	
<i>Value Added</i>		-1.2%	-10.6%	-4.5%	-.-%	-4.5%	
<i>Performance Objective</i>		5.3%	20.5%	26.6%	-.-%	26.6%	
<i>Value Added</i>		-1.8%	-13.1%	-7.0%	-.-%	-7.0%	
Domestic Fixed Income MDP	0.2	-0.4%	2.7%	6.2%	-.-%	7.5%	
LM Capital	0.2	-0.4%	2.7%	5.1%	-.-%	6.9%	6/02
<i>Custom Benchmark</i>		-0.7%	2.9%	4.1%	-.-%	5.2%	
<i>Value Added</i>		0.3%	-0.2%	1.0%	-.-%	1.7%	
<i>Performance Objective</i>		-0.4%	3.9%	5.1%	-.-%	6.2%	
<i>Value Added</i>		0.0%	-1.2%	0.0%	-.-%	0.7%	

³⁰ The MDP managers are listed by style elsewhere in this appendix.

External Manager Performance Review (continued)

Domestic Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic Corporate Governance	1.7	3.4%	26.7%	24.8%	21.3%	23.0%	12/98
Internal Relational	0.4	1.4%	43.2%	-.-%	-.-%	32.4%	12/02
<i>Custom Benchmark</i>		3.8%	13.9%	-.-%	-.-%		
<i>Value Added</i>		-2.5%	29.3%	-.-%	-.-%		
Relational Investors	1.2	4.8%	25.9%	24.3%	21.0%	22.8%	12/98
<i>Custom Benchmark</i>		3.6%	12.2%	16.7%	-1.5%		
<i>Value Added</i>		1.2%	13.7%	7.6%	22.5%		
Shamrock Partners	0.1	-1.2%	-.-%	-.-%	-.-%	4.4%	3/05
<i>Custom Benchmark</i>		4.7%	-.-%	-.-%	-.-%		
<i>Value Added</i>		-5.9%	-.-%	-.-%	-.-%		
Blum Strategic Partners III	0.0	-.-%	-.-%	-.-%	-.-%	-.-%	9/05
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%		
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%		



External Manager Performance Review (continued)
International Equity – Core ACWI

Int'l Active Mainstream	Market Value 7.9	Qtr 12.0%	1 Year 29.3%	3 Year 24.5%	5 Year 3.2%	Incept. 6.9%	Date 6/89
Int'l External Core							
Arrowstreet (Mainstream)	0.8	13.4%	34.7%	-.%	-.%	33.8%	3/03
<i>Custom Benchmark</i>		11.4%	29.0%	-.%	-.%	33.4%	
<i>Value Added</i>		2.0%	5.7%	-.%	-.%	0.4%	
<i>Performance Objective</i>		11.9%	31.0%	-.%	-.%	35.4%	
<i>Value Added</i>		1.5%	3.7%	-.%	-.%	-1.6%	
Arrowstreet (MDP)	0.1	13.2%	35.0%	27.9%	7.9%	5.7%	6/00
<i>Custom Benchmark</i>		11.4%	29.0%	26.8%	4.4%	2.5%	
<i>Value Added</i>		1.8%	6.0%	1.1%	3.5%	3.2%	
<i>Performance Objective</i>		11.9%	31.0%	28.8%	6.4%	4.5%	
<i>Value Added</i>		1.3%	4.0%	-0.9%	1.5%	1.2%	
Robeco USA	0.4	11.8%	30.5%	24.8%	-.%	13.2%	9/01
<i>Custom Benchmark</i>		11.4%	29.0%	26.8%	-.%	15.1%	
<i>Value Added</i>		0.4%	1.5%	-2.0%	-.%	-1.9%	
<i>Performance Objective</i>		11.9%	31.0%	28.8%	-.%	17.1%	
<i>Value Added</i>		-0.1%	-0.5%	-4.0%	-.%	-3.9%	
Barclays	1.0	-.%	-.%	-.%	-.%	-.%	9/05
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
Int'l External Core Europe							
AXA Rosenberg	1.0	10.4%	29.6%	29.3%	-.%	9.6%	3/01
<i>Custom Benchmark</i>		8.0%	24.9%	26.3%	-.%	7.9%	
<i>Value Added</i>		2.4%	4.7%	3.0%	-.%	1.7%	
<i>Performance Objective</i>		8.5%	26.9%	28.3%	-.%	9.9%	
<i>Value Added</i>		1.9%	2.7%	1.0%	-.%	-0.3%	
Capital Guardian	0.6	7.5%	23.2%	25.9%	-.%	8.0%	3/01
<i>Custom Benchmark</i>		8.0%	24.9%	26.3%	-.%	7.9%	
<i>Value Added</i>		-0.5%	-1.7%	-0.4%	-.%	0.1%	
<i>Performance Objective</i>		8.5%	26.9%	28.3%	-.%	9.9%	
<i>Value Added</i>		-1.0%	-3.7%	-2.4%	-.%	-1.9%	



External Manager Performance Review (continued)

International Equity – Growth & Value

Int'l Active Mainstream	Market Value 7.9	Qtr 12.0%	1 Year 29.3%	3 Year 24.5%	5 Year 3.2%	Incept. 6.9%	Date 6/89
Int'l External Growth							
Alliance Large Cap Growth	0.3	-.-%	-.-%	-.-%	-.-%	-.-%	9/05
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
New Star Institutional Managers	0.5	-.-%	-.-%	-.-%	-.-%	-.-%	9/05
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Baillie Gifford	0.8	16.0%	37.2%	26.7%	-.-%	10.4%	6/01
Custom Benchmark		11.4%	29.0%	26.8%	-.-%	9.9%	
Value Added		4.6%	8.2%	-0.1%	-.-%	0.5%	
Performance Objective		11.9%	31.0%	28.8%	-.-%	11.9%	
Value Added		4.1%	6.2%	-2.1%	-.-%	-1.5%	



External Manager Performance Review (continued)
International Equity – Growth & Value cont'd

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Int'l Active Mainstream	7.9	12.0%	29.3%	24.5%	3.2%	6.9%	6/89
Int'l External Value ACWI							
Grantham, Mayo, Van Otterloo	1.0	10.1%	26.2%	27.0%	-.-%	13.8%	6/01
Custom Benchmark		11.4%	29.0%	26.8%	-.-%	9.9%	
Value Added		-1.3%	-2.8%	0.2%	-.-%	3.9%	
Performance Objective		12.1%	31.4%	29.3%	-.-%	12.4%	
Value Added		-2.0%	-5.2%	-2.3%	-.-%	1.4%	
Northroad (MDP)	0.2	5.7%	20.3%	-.-%	-.-%	11.3%	12/03
Custom Benchmark		10.6%	27.2%	-.-%	-.-%	18.0%	
Value Added		-4.9%	-6.9%	-.-%	-.-%	-6.7%	
Performance Objective		11.1%	29.2%	-.-%	-.-%	20.0%	
Value Added		-5.4%	-8.9%	-.-%	-.-%	-8.7%	
Pyrford (MDP)	0.4	5.7%	20.3%	22.2%	-.-%	10.9%	12/01
Custom Benchmark		10.6%	27.2%	26.1%	-.-%	13.3%	
Value Added		-4.9%	-6.9%	-3.9%	-.-%	-2.4%	
Performance Objective		11.1%	29.2%	28.1%	-.-%	15.3%	
Value Added		-5.4%	-8.9%	-5.9%	-.-%	-4.4%	
Alliance Strategic Value	0.5	-.-%	-.-%	-.-%	-.-%	-.-%	9/05
Custom Benchmark		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Performance Objective		-.-%	-.-%	-.-%	-.-%	-.-%	
Value Added		-.-%	-.-%	-.-%	-.-%	-.-%	
Int'l External Value Pacific							
Nomura	0.9	14.6%	28.3%	23.8%	4.7%	4.5%	9/89
Custom Benchmark		14.4%	30.0%	22.9%	3.1%	0.1%	
Value Added		0.2%	-1.7%	0.9%	1.6%	4.4%	
Performance Objective		14.9%	32.0%	24.9%	5.1%	2.1%	
Value Added		-0.3%	-3.7%	-1.1%	-0.4%	2.4%	



External Manager Performance Review (continued)
International Equity – MDP³¹

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Int'l MDP	0.8	7.1%	22.7%	22.1%	2.6%	0.8%	6/00
Total Int'l MDP Ventures	0.0	7.5%	91.0%	57.7%	27.2%	24.2%	6/00
Arrowstreet (MDP)	0.1	13.2%	35.0%	27.9%	7.9%	5.7%	6/00
<i>Custom Benchmark</i>		11.4%	29.0%	26.8%	4.4%	2.5%	
<i>Value Added</i>		1.8%	6.0%	1.1%	3.5%	3.2%	
<i>Performance Objective</i>		11.9%	31.0%	28.8%	6.4%	4.5%	
<i>Value Added</i>		1.3%	4.0%	-0.9%	1.5%	1.2%	
Northroad (MDP)	0.2	5.7%	20.3%	-.%	-.%	11.3%	12/03
<i>Custom Benchmark</i>		10.6%	27.2%	-.%	-.%	18.0%	
<i>Value Added</i>		-4.9%	-6.9%	-.%	-.%	-6.7%	
<i>Performance Objective</i>		11.1%	29.2%	-.%	-.%	20.0%	
<i>Value Added</i>		-5.4%	-8.9%	-.%	-.%	-8.7%	
Pyrford (MDP)	0.4	5.7%	20.3%	22.2%	-.%	10.9%	12/01
<i>Custom Benchmark</i>		10.6%	27.2%	26.1%	-.%	13.3%	
<i>Value Added</i>		-4.9%	-6.9%	-3.9%	-.%	-2.4%	
<i>Performance Objective</i>		11.1%	29.2%	28.1%	-.%	15.3%	
<i>Value Added</i>		-5.4%	-8.9%	-5.9%	-.%	-4.4%	

³¹ The MDP managers are also listed by style elsewhere in this appendix.



International Equity – Emerging Markets

Int'l Emerging Markets	Market Value 4.6	Qtr 19.9%	1 Year 56.1%	3 Year 43.0%	5 Year --%	Incept. 43.0%	Date 9/02
AllianceBernstein	1.6	22.6%	60.8%	49.4%	--%	49.4%	9/02
<i>Custom Benchmark</i>		17.5%	48.0%	38.2%	--%	38.2%	
<i>Value Added</i>		5.1%	12.8%	11.2%	--%	11.2%	
<i>Performance Objective</i>		18.1%	50.5%	40.7%	--%	40.7%	
<i>Value Added</i>		4.5%	10.3%	8.7%	--%	8.7%	
DFA	1.7	17.8%	50.3%	42.4%	--%	42.4%	9/02
<i>Custom Benchmark</i>		17.5%	48.0%	38.2%	--%	38.2%	
<i>Value Added</i>		0.3%	2.3%	4.2%	--%	4.2%	
<i>Performance Objective</i>		18.0%	50.0%	40.2%	--%	40.2%	
<i>Value Added</i>		-0.2%	0.3%	2.2%	--%	2.2%	
Genesis	1.4	19.4%	58.4%	37.6%	--%	37.6%	9/02
<i>Custom Benchmark</i>		17.5%	48.0%	38.2%	--%	38.2%	
<i>Value Added</i>		1.9%	10.4%	-0.6%	--%	-0.6%	
<i>Performance Objective</i>		18.1%	50.5%	40.7%	--%	40.7%	
<i>Value Added</i>		1.3%	7.9%	-3.1%	--%	-3.1%	



External Manager Performance Review (continued)
International Equity – Corporate Governance

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Date</u>
Total Int'l Corporate Governance	1.9	7.8%	38.6%	32.8%	13.0%	12/98
Active Value	0.2	17.8%	55.6%	31.7%	15.8%	9/98
<i>Custom Benchmark</i>		7.9%	28.3%	32.4%	11.2%	
<i>Value Added</i>		9.9%	27.4%	-0.8%	4.7%	
Active Value Co-Investment	0.1	0.9%	97.4%	48.1%	18.8%	6/00
<i>Custom Benchmark</i>		7.9%	28.3%	32.4%	11.2%	
<i>Value Added</i>		-7.0%	69.2%	15.7%	7.7%	
Hermes Focus	0.3	3.5%	18.8%	28.6%	8.8%	12/99
<i>Custom Benchmark</i>		8.2%	23.7%	24.3%	5.1%	
<i>Value Added</i>		-4.6%	-4.9%	4.3%	3.7%	
Hermes Europe	0.2	-14.5%	35.8%	-.-%	-.-%	9/03
<i>Custom Benchmark</i>		8.4%	27.0%	-.-%	-.-%	
<i>Value Added</i>		-22.9%	8.8%	-.-%	-.-%	
Knight Vinke	0.1	8.0%	37.2%	-.-%	-.-%	12/03
<i>Custom Benchmark</i>		8.3%	25.7%	-.-%	-.-%	
<i>Value Added</i>		-0.4%	11.5%	-.-%	-.-%	
SPARX Value Creation	0.4	11.9%	20.9%	-.-%	-.-%	3/03
<i>Custom Benchmark</i>		20.0%	28.9%	-.-%	-.-%	
<i>Value Added</i>		-8.1%	-8.0%	-.-%	-.-%	
Taiyo Fund	0.4	16.5%	36.4%	-.-%	-.-%	9/03
<i>Custom Benchmark</i>		20.0%	28.9%	-.-%	-.-%	
<i>Value Added</i>	0.4	-3.4%	7.5%	-.-%	-.-%	



External Manager Performance Review (continued)
Fixed Income – High Yield

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
External High Yield	1.4	3.3%	10.3%	15.9%	-.-%	-.-%
Highland Capital Distressed Fund	0.3	8.6%	25.9%	29.4%	-.-%	-.-%
<i>Custom Benchmark</i>		0.8%	6.3%	16.4%	-.-%	-.-%
<i>Value Added</i>		7.8%	19.6%	13.0%	-.-%	-.-%
ING Ghent	0.3	2.5%	4.5%	13.0%	-.-%	-.-%
<i>Custom Benchmark</i>		0.8%	6.3%	16.4%	-.-%	-.-%
<i>Value Added</i>		1.7%	-1.8%	-3.4%	-.-%	-.-%
Nomura	0.4	1.7%	6.3%	14.9%	-.-%	-.-%
<i>Custom Benchmark</i>		0.8%	6.3%	16.4%	-.-%	-.-%
<i>Value Added</i>		0.9%	0.0%	-1.5%	-.-%	-.-%
PIMCO	0.4	1.1%	5.5%	15.5%	-.-%	-.-%
<i>Custom Benchmark</i>		0.8%	6.3%	16.4%	-.-%	-.-%
<i>Value Added</i>		0.3%	-0.8%	-0.9%	-.-%	-.-%



External Manager Performance Review (continued)
Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
International Fixed Income	5.5	-1.1%	3.7%	10.2%	9.0%	5.7%
Baring	1.0	-1.0%	3.4%	9.5%	9.0%	6.6%
<i>Custom Benchmark</i>		-1.1%	3.2%	9.6%	8.7%	4.9%
<i>Value Added</i>		0.1%	0.2%	-0.1%	0.3%	1.7%
<i>Performance Objective</i>		-0.7%	4.7%	11.1%	10.2%	6.4%
<i>Value Added</i>		-0.3%	-1.3%	-1.6%	-1.2%	0.2%
Bridgewater	1.3	-1.8%	3.5%	10.0%	9.3%	-.-%
<i>Custom Benchmark</i>		-1.1%	3.2%	9.6%	8.7%	-.-%
<i>Value Added</i>		-0.7%	0.3%	0.4%	0.6%	-.-%
<i>Performance Objective</i>		-0.7%	4.7%	11.1%	10.2%	-.-%
<i>Value Added</i>		-1.1%	-1.2%	-1.1%	-0.9%	-.-%
Julius Baer	1.1	-0.5%	3.7%	10.5%	8.9%	6.0%
<i>Custom Benchmark</i>		-1.1%	3.2%	9.6%	8.7%	4.9%
<i>Value Added</i>		0.6%	0.5%	0.9%	0.2%	1.1%
<i>Performance Objective</i>		-0.7%	4.7%	11.1%	10.2%	6.4%
<i>Value Added</i>		0.2%	-1.0%	-0.6%	-1.3%	-0.4%
Rogge	1.3	-0.8%	4.2%	10.6%	9.0%	-.-%
<i>Custom Benchmark</i>		-1.1%	3.2%	9.6%	8.7%	-.-%
<i>Value Added</i>		0.3%	1.0%	1.0%	0.3%	-.-%
<i>Performance Objective</i>		-0.7%	4.7%	11.1%	10.2%	-.-%
<i>Value Added</i>		-0.1%	-0.5%	-0.5%	-1.2%	-.-%
Western	0.9	-1.2%	4.2%	10.8%	9.0%	-.-%
<i>Custom Benchmark</i>		-1.1%	3.2%	9.6%	8.7%	-.-%
<i>Value Added</i>		-0.1%	1.0%	1.2%	0.3%	-.-%
<i>Performance Objective</i>		-0.7%	4.7%	11.1%	10.2%	-.-%
<i>Value Added</i>		-0.5%	-0.5%	-0.3%	-1.2%	-.-%



External Manager Performance Review (continued)
Fixed Income - Special Investments

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Special Investments	1.5	0.0%	4.6%	5.3%	6.9%	6.3%
AFL-CIO HIT	0.1	0.7%	4.1%	4.3%	6.4%	6.9%
Equitable CCMF	0.0	1.9%	8.4%	7.0%	8.2%	-.-%
MHLP-BRS	1.4	-0.2%	4.4%	5.4%	-.-%	-.-%
U.L.L.I. Co.	0.0	1.4%	13.9%	6.3%	8.7%	8.6%



Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

Domestic Equity

Geewax Terker

- Underperformance versus benchmark and performance objective. Performance hindered by unrewarded stock selection especially during 1999.

JP Morgan

- Underperformance versus benchmark and performance objective. Performance hindered by unrewarded stock selection especially during 2001 and 2002.

Franklin Advisers

- Underperformance versus benchmark and performance objective. Performance hindered by unrewarded stock selection especially during 2004 and 2005 YTD.

Int'l Equity

Baillie Gifford

- Underperformance versus its benchmark and performance objective over the three-year period as the manager's quality growth style met a style headwind. One year performance is very strong, outperforming the benchmark by 8.2% as growth stocks have rallied internationally.

Capital Guardian

- Underperformance versus its benchmark and performance objective due to unrewarded stock selection. The stock selection woes may be due to rapid growth in assets.

Robeco

- Underperformance versus benchmark and performance objective even though investment philosophy is similar to an enhanced index.

Int'l Fixed Income

Baring Int'l

- Underperformance versus benchmark and performance objective over the one-year period. Though manager has outperformed since inception.
- Acquisition by Mass Mutual in 2005 has not caused any visible disruption to Baring's investment process.

Bridgewater Associates

- High level personnel change with departure of its CEO, Britton Harris. The firm is currently working on finding a replacement.
- Mr. Harris was not involved in the investment process.



Manager Monitoring (continued)

Int'l Fixed Income Cont'd

Western Asset Management

- Significant organization change expected because of the recent merger with Legg Mason, the parent of Western Asset, and Citigroup's asset management division.
- The deal is expected to close at the end of November.

External High Yield

ING Ghent

- Continued underperformance versus benchmark and performance objective due to unrewarded sector and issue selection.
- ING's business strategy with regard to its asset management business is unclear, in light of the sale of Baring to Mass Mutual.

